

Message Text

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PAGE 01 PRAGUE 02158 121616Z

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ACTION EUR-25

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC PRIORITY 5073

C O N F I D E N T I A L PRAGUE 2158

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CLAIMS NEGOTIATIONS--SESSION 3

REF: PRAGUE 2146

1. BEGIN SUMMARY: CZECHS AGREED TO US PROPOSALS ON GOLD AND BOND OBLIGATIONS AND MADE COUNTER PROPOSALS ON SURPLUS PROPERTY QUESTION. AFTER REACHING UNDERSTANDING ON MEANING OF US \$26 MILLION LUMP-SUM SETTLEMENT OFFER, CZECHS RECESSED NEGOTIATIONS UNTIL THEY RECEIVED FURTHER INSTRUCTIONS. END SUMMARY.

2. ZANTOVSKY OPENED THIRD SESSION BY ACCEPTING US FORMULATION ON GOLD QUESTION AND SETTLEMENT OF BOND OBLIGATIONS ON TERMS PROPOSED BY US. CONCERNING SURPLUS PROPERTY AGREEMENT, HEW DREW US DEL'S ATTENTION TO EMBASSY'S AIDE MEMOIRE OF MARCH 25, 1970(TEXT IN PRAGUE 361 OF SAME DATE) WHICH PROPOSED SETTLEMENT IN CROWNS AND ASKED FOR US COMMENT. CHARG'E SAID THAT HE WOULD COMMENT LATER.

3. RETURNING TO LUMP SUM SETTLEMENT OFFER, ZANTOVSKY TOOK ISSUE WITH US DEL'S PARALLEL TREATMENT OF CLAIMS BY US CITIZENS AND COMPENSATION FOR VESTED STEEL MILL ARGUING THAT WHILE STEEL MILL CASE WAS WELL-DOCUMENTED COMMERCIAL TRANS-
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PAGE 02 PRAGUE 02158 121616Z

ACTION, VALUSE OF US CLAIMS WERE HIGHLY EXAGGERATED AND NOT

DOCUMENTED. CHARG'E AGAIN DEFENDED VALIDITY OF US CLAIMS
FIGURE AND OF RELATING TWO CATEGORIES AND THEN STRESSED THAT
WHAT AS IMPORTANT WAS REASONABLE SETTLEMENT COVERING BOTH
CLAIMS. ZANTOVSKY THEN DROPPED POINT.

4. DURING DISCUSSION OF US-PROPOSED \$26 MILLION SETTLEMENT
IT BECAME APPARENT THAT CZECHS HAD NOT UNDERSTOOD SIGNIFICANCE
OF OFFER. AFTER CHARG'E EXPLAINED THAT FIGURE WAS NET SUM
WHICH INCLUDED CREDIT FOR STEEL MILL, ZANTOVSKY EXPRESSED
SURPRISE, SAID US PROPOSAL CREATES INSURMOUNTABLE PROBLEM, AND
SUGGESTED THAT NEGOTIATIONS BE RECESSED TEMPORARILY AND THAT
CHAIRMAN OF DELEGATIONS MEET AFTERNOON SEPTEMBER 13.

5. IN BRIEF CONVERSATION WITH CHARG'E AFTER MEETING, ZANTOVSKY
AGAIN EXPRESSED WHAT SEEMED TO BE GENUINE SURPRISE AT AMOUNT
OF US PROPOSAL AND SAID THAT HE COULD NOT CONTINUE TALKS ON
THIS BASIS WITHOUT FURTHER INSTRUCTIONS, AND WOULD NEED HELP
IN PRESENTING SITUATION TO HIS SUPERIORS.
WORTZEL

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